GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5828
ANSWERED ON:11.05.2012
SCAM IN BANKS
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government has noticed the scam in certain public sector banks including UCO Bank and Centra! Bank of India;

(b) if so, the number of such cases, amount involved and the names of those banks involved in them during the last three years and the current year;

(c) whether any investigations/raids have been conducted by the Government/investigation agency in this regard;

(d) if so, the details thereof and the action taken by the Government thereon;

(e) if not, the reasons therefore; and

(f) the corrective measures taken/being taken by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (e) : Reserve Bank of India (RBI) has reported that it does not have any specific information about scams at any of PSU banks including UCO Bank and Central Bank of India. However, the incidents of frauds along with amounts involved therein for the last three Calendar years as reported by banks to RBI is annexed.

(f): The measures initiated by RBI are as under: Reserve Bank of India has issued detailed instructions vide Master Circular dated July 01, 2011 on `Frauds-Classification and reporting` containing all the details/aspects relating to frauds. On receipt of fraud reports from banks, various aspects related to the frauds are examined and concerned banks are advised to report the case to CBI/Police /SFIO, examine staff accountability, complete proceedings against the erring staff expeditiously, take steps to recover the amount involved in the fraud, claim insurance wherever applicable and streamline the system as also procedures so that frauds do not recur. Reserve Bank of India, as a part of its supervisory process also takes following measures to prevent/ reduce the incidence of frauds:

i. Sensitizes banks from time to time about common fraud prone areas through issuance of modus operandi circulars on various types of frauds and the measures to betaken by them.

ii. Issues Caution Advices in respect of borrowers who have defrauded the banks . In the Caution Advice, the banks are advised to exercise due diligence while considering proposal for fresh loan facilities from such borrowers.

iii. In the past, considering various concerns arising out of banks` operations, including incidents of frauds, RBI had advised the banks to:

a) Introduce a system of concurrent audit

b) Review working of internal inspection and audit machinery in banks by the Audit Committee of the Board of Directors.

c) Constitute a Special Committee of the Board exclusively for monitoring frauds of Rs. 1 crore and above. iv. Further, on receipt of fraud reports from nationalized banks, they are advised to examine staff accountability and complete proceedings against the erring staff within the time limit prescribed by Central Vigilance Commission.

v. In order to make the third parties such as builders, warehouse/cold storage owners, motor vehicle/ tractor dealers, travel agents etc. and professionals such as architects, valuers, chartered accountants, advocates, etc. accountable who have played a vital role in credit sanction/disbursement or facilitated the perpetration of frauds, banks have been advised vide circular dated March 16, 2009 to report to Indian Banks Association (IBA) the details of such third parties, including professionals involved in frauds. IBA in turn will prepare caution lists of such parties for circulation among the banks.